

Message Text

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ACTION SS-25

INFO OCT-02 ISO-00 SSO-00 /026 W
-----006033 251643Z /46

R 251525Z JAN 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 5167
INFO AMEMBASSY BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 01409

EXDIS

ALSO FOR USEEC

E.O. 11652: GDS
TAGS: ETRD, OTRA, OECD, EFIN
SUBJ: TOUR D'HORIZON WITH MINISTER OF ECONOMICS, COUNT
LAMBSDORFF, PRIOR TO HIS VISIT TO THE UNITED
STATES

REF: BONN 1293

SUMMARY: DURING LUNCHEON MEETING WITH COUNT LAMBSDORFF
ON JAN. 24, JUST PRIOR TO HIS DEPARTURE FOR THE UNITED
STATES, LAMBSDORFF GAVE HIS VIEWS (RESERVED) ON THE
PRESIDENT'S STATE OF THE UNION, BUDGET, AND ECONOMIC
MESSAGES. HE WAS PLEASED WITH WHAT HAS BEEN
ACHIEVED ON MTN IN GENEVA, EMPHASIZING FRG
ASSISTANCE IN REACHING AGREEMENT. LAMBSDORFF ALSO
DISCUSSED AT SOME LENGTH THE DOLLAR, THE OUTLOOK
FOR THE ECONOMIC SUMMIT, AND STEEL. IN ADDITION TO
THESE SUBJECTS, WE UNDERSTOOD HE WOULD ALSO WANT
TO CLARIFY U.S. POLICY ON NORTH/SOUTH ISSUES WHILE
HE IS IN THE UNITED STATES. END SUMMARY.

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1. COUNT LAMBSDORFF, MINISTER OF ECONOMICS, INVITED
ME TO LUNCH ON JAN. 24 FOR A DISCUSSION PRIOR TO HIS
DEPARTURE FOR THE UNITED STATES ON SATURDAY, JAN. 28.
2. BOTH MINISTER LAMBSDORFF AND ASSISTANT SECRETARY
HELGA STEEG, WHO WAS ALSO PRESENT, EXPRESSED THEIR
GREAT SATISFACTION WITH WHAT HAS BEEN ACHIEVED IN

GENEVA ON MTN. COUNT LAMBSDORFF SAID THAT NOT EVERYTHING DESIRED HAD BEEN ACHIEVED, BUT THE RESULTS WERE IMPRESSIVE. HE SPOKE ENTHUSIASTICALLY OF THE EFFORTS OF AMBASSADOR STRAUSS IN BRINGING THIS DIFFICULT BUT IMPORTANT MATTER SO FAR. (THE GERMANS WE HAVE TALKED TO HAVE ALSO COMMENTED FAVORABLY ON HAFERKAMP'S ROLE IN CONTRAST TO EARLIER CRITICAL COMMENTS ON HIS PERFORMANCE AS A COMMISSIONER.). FRAU STEEG STRESSED THAT EVEN THOUGH THE RESULTS WERE NOT EVERYTHING THE FRG WOULD HAVE WISHED, WE WOULD NOT HAVE GOTTEN AS FAR AS WE HAVE IF THE FRG HAD NOT PUSHED ENERGETICALLY WITHIN THE COMMUNITY.

3. COUNT LAMBSDORFF SAID THAT HE HAD FOUND THE PRESIDENT'S STATE OF THE UNION, ECONOMIC, AND BUDGET MESSAGES INTERESTING. HE WAS CONCERNED, HOWEVER, AS TO WHETHER IT WAS NOT TILTED IN THE INFLATIONARY DIRECTION, SINCE THE PRESIDENT'S POLICY SOUGHT AT THE SAME TIME TO CONTROL INFLATION, REDUCE TAXES, AND REDUCE UNEMPLOYMENT. HE ALSO THOUGHT TAX PROPOSALS WERE TOO LITTLE TO ENCOURAGE INVESTMENT. FRAU STEEG EXPRESSED INTEREST IN SPECIFICALLY WHAT THE PRESIDENT HAD IN MIND WHEN HE REFERRED TO EFFORTS TO GET MANAGEMENT AND LABOR TO ADOPT GREATER RESTRAINT IN PRICE AND WAGE POLICY. CONFIDENTIAL

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4. LAMBSDORFF SAID HE HAD TALKED TO A NUMBER OF FRIENDS IN THE UNITED STATES BY TELEPHONE AND RECEIVED VERY FAVORABLE REPORTS CONCERNING THE NEW CHAIRMAN OF THE FEDERAL RESERVE BOARD. HE SAID ALL REPORTS REASSURED HIM, ALTHOUGH THE TRANSITION FROM ONE CHAIRMAN TO THE OTHER WOULD NATURALLY REQUIRE A CERTAIN AMOUNT OF ADJUSTMENT.

5. LAMBSDORFF THOUGHT THE TIMING OF THE FORTHCOMING ECONOMIC SUMMIT WAS FELICITOUS, COMING AS IT WILL AT THE MIDDLE OF THE YEAR. THIS, HE THOUGHT,

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WILL GIVE US TIME TO SEE HOW THINGS WENT THIS YEAR IN ORDER TO ASSESS WHETHER ANYTHING FURTHER NEEDS TO BE DONE. IN ANY EVENT, HE COMMENTED THAT ANY DECISIONS AT THAT TIME WOULD HAVE LITTLE EFFECT ON 1978. IN THIS CONNECTION HE STRESSED THE URGENCY OF THE UNITED STATES MAKING A DECISION ON ENERGY, SINCE THE PRESENT UNCERTAIN SITUATION RESULTED IN INSTABILITY.

6. ON THE DOLLAR, LAMBSDORFF AGAIN REITERATED THE NEED FOR U.S. ENERGY LEGISLATION. HE RECOGNIZED THAT THERE WILL BE NO IMMEDIATE CONSEQUENCES, BUT SUCH AN ACTION WOULD HAVE GREAT PSYCHOLOGICAL IMPORTANCE, WHICH WAS NOT TO BE UNDERESTIMATED IN THE PRESENT WORLD CLIMATE. HE WARMLY WELCOMED A RECENT STATEMENT BY SECRETARY BLUMENTHAL ON THE EXCHANGE MARKET, WHICH, HE SAID, HAD BEEN RIGHT ON TARGET. HE ALSO WONDERED WHY THE U.S. DID NOT SELL GOLD. HE UNDERSTOOD THAT THERE WERE PROBLEMS, INCLUDING DOMESTIC POLITICAL REACTION.

7. LAMBSDORFF DISCUSSED AT SOME LENGTH THE DIFFICULTY OF INCREASING PRIVATE CONSUMPTION IN THE FRG. NOT SURPRISINGLY, HE EXPRESSED DISTASTE
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FOR THE "LOCOMOTIVE CONCEPT", BUT REFERRED TO THE CHANCELLOR'S WILLINGNESS EXPRESSED IN HIS "STATE OF THE UNION MESSAGE" TO BE HELPFUL IN CONCERT WITH OTHERS. HE CITED FRG SUPPORT OF MTN AS ONE IMPORTANT EXAMPLE OF SUCH COOPERATION.

8. WE ALSO DISCUSSED STEEL PROBLEMS AT SOME LENGTH.

FRAU STEEG EXPRESSED APPRECIATION FOR EHRENHAFT VISIT, WHICH WAS ENLIGHTENING BUT ALSO RAISED PROBLEMS AT THE SAME TIME.

9. COMMENT: LAMBSDORFF LOOKS FORWARD TO AN ACTIVE AND BUSY ROUND OF MEETINGS IN WASHINGTON. HE OBVIOUSLY WILL COME ENDOWED WITH THE MOST RECENT VIEWS OF THE CHANCELLOR ON THE GLOBAL ECONOMIC SITUATION AS WELL AS ON THE FORTHCOMING ECONOMIC SUMMIT. ALTHOUGH WE DID NOT DISCUSS NORTH/SOUTH ISSUES AT LUNCH, WE KNOW FROM OTHER RELIABLE SOURCES IN BOTH ECONOMICS AND FOREIGN MINISTRIES THAT LAMBSDORFF WILL SEEK URGENT CLARIFICATION IN STATE AND TREASURY OF U.S. POLICY ON THE COMMON FUND AND COMMODITIES. REPORTS FROM THE GERMAN EMBASSY IN WASHINGTON ON OUR VIEWS HAVE BEEN APPARENTLY CONFUSING, CITING U.S. OFFICIALS AS EXPRESSING CONFLICTING VIEWS.
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